

Message Text

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ACTION EB-08

INFO OCT-01 AF-10 ARA-10 EUR-12 EA-10 NEA-11 ISO-00

SSO-00 NSCE-00 INRE-00 ICAE-00 AID-05 CIAE-00

COME-00 FRB-03 INR-10 NSAE-00 TRSE-00 XMB-02

OPIC-03 SP-02 LAB-04 SIL-01 OMB-01 L-03 IO-13

SS-15 STR-07 CEA-01 H-01 /133 W

-----035745 061353Z /46

O R 061200Z MAY 78

FM AMEMBASSY LIBREVILLE

TO SECSTATE WASHDC IMMEDIATE 978

INFO AMEMBASSY BELGRAD

AMEMBASSY BERN

AMEMBASSY BONN

AMEMBASSY BRASILIA

AMEMBASSY BRUSSELS

AMEMBASSY BUENOS AIRES

AMEMBASSY COPENHAGEN

AMEMBASSY THE HAGUE

AMEMBASSY HELSINKI

AMEMBASSY JIDDA

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AMEMBASSY ROME

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E.O. 11652: N/A

TAGS: EAID, EFIN, AFDB, AFDF

SUBJ: AFRICAN DEVELOPMENT FUND ANNUAL MEETING

REF: A) LIBREVILLE 1061 (B) LIBREVILLE 1059 (C) STATE 107425

SUMMARY: THE BOARDS OF GOVERNORS OF THE AFRICAN DEVELOPMENT BANK (AFDB) AND AFRICAN DEVELOPMENT FUND (AFDF) HELD THEIR ANNUAL JOINT MEETING IN LIBREVILLE, GABON MAY 1-5, THE MAJOR EVENTS WERE THE AGREEMENT IN PRINCIPLE BY THE GOVERNORS OF THE BANK TO OPEN THE AFDB TO NON-AFRICAN COUNTRIES AND THE COMPLETION OF NEGOTIATIONS ON THE SECOND AFDF REPLENISHMENT. GENERAL TONE OF MEETING WAS BUSINESS-LIKE, WITH MANY DELEGATES ADDRESSING TECHNICAL AND ADMINISTRATIVE MATTERS IN THEIR STATEMENTS. END SUMMARY.

1. DURING THE ANNUAL MEETING'S MAY 4 PLENARY SESSION, THE BOARD OF GOVERNORS OF AFDB FORMALLY ADOPTED A RESOLUTION DIRECTING THE PRESIDENT OF THE BANK TO INITIATE CONSULTATIONS WITH NON-AFRICAN STATES TO FACILITATE NON-REGIONAL MEMBERSHIP IN THE BANK. A CONSENSUS TO OPEN THE BANK WAS ARRIVED AT A SPECIAL CAUCUS OF BANK GOVERNORS ON THE AFTERNOON OF MONDAY, MAY 1 WHICH WAS CLOSED TO FUND GOVERNORS AND DELEGATES. ON THE MORNING OF MAY 1, AT THE FIRST PLENARY SESSION OF THE ANNUAL MEETING, THE GOVERNORS HAD HEARD STATEMENTS BY GABONESE PRESIDENT BONGO AND AFDB/AFDF PRESIDENT FORDWOR EXHORTING THE AFRICAN MEMBERS OF THE BANK TO CAREFULLY CONSIDER THE QUESTION OF NON-REGIONAL MEMBERSHIP IN LIMITED OFFICIAL USE

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LIGHT OF THE BANK'S CONTINUING INABILITY TO MOBILIZE THE RESOURCES NECESSARY TO CONTRIBUTE SIGNIFICANTLY TO AFRICA'S DEVELOPMENT.

2. DESPITE THE CONSENSUS REACHED AT THE CLOSED MONDAY MEETING TO SEEK NON-REGIONAL MEMBERSHIP, THE REPRESENTATIVES OF ETHIOPIA, MOZAMBIQUE, THE CONGO, AND UGANDA STRONGLY OPPOSED NON-REGIONAL MEMBERSHIP IN THEIR FORMAL STATEMENTS TO THE JOINT BANK/FUND GOVERNORS' SESSIONS. ETHIOPIA AND UGANDA CITED THE ANTICIPATED INTRODUCTION OF NON-ECONOMIC CONSIDERATIONS BY DEVELOPED COUNTRIES INTO THE OPERATIONS OF THE BANK AS ONE REASON FOR THEIR OPPOSITION. WHILE LIBYA AND ALGERIA ALSO EXPRESSED STRONG RESERVATIONS ABOUT OPENING THE BANK TO NON-AFRICAN COUNTRIES, THEY NEVERTHELESS ANNOUNCED THEIR WILLINGNESS TO ABIDE BY THE DECISION OF THE MAJORITY, THE GOVERNORS OF KENYA, ZAMBIA, NIGERIA, IVORY COAST, GHANA, SUDAN, ZAIRE, LIBERIA, MALAWI, TANZANIA, RWANDA, AND GABON SUPPORTED NON-REGIONAL MEMBERSHIP IN THEIR STATEMENT. OTHER AFRICAN STATES EITHER DID NOT MENTION THE ISSUE IN THEIR FORMAL STATEMENT, OR DID

NOT MAKE A FORMAL STATEMENT AT THE ANNUAL MEETING. EVEN AMONG THOSE WHO SUPPORTED THE OPENING OF THE BANK, MOST EXPRESSED CONCERN THAT THE AFRICAN CHARACTER OF THE BANK MUST BE MAINTAINED. WHILE THE EXACT TERMS AND CONDITIONS OF NON-REGIONAL MEMBERSHIP WERE NOT DISCUSSED, IT CAN BE EXPECTED THAT PRESERVATION OF THE BANK'S AFRICAN CHARACTER WILL BE AN IMPORTANT ISSUE IN THE NEGOTIATIONS.

3. SEVERAL NON-AFRICAN GOVERNORS OF THE FUND NOTED THE DECISION TO OPEN THE BANK IN THEIR STATEMENTS. THE UNITED STATES, AMONG OTHERS, EXPRESSED A WILLINGNESS TO CONSIDER SYMPATHETICALLY MEMBERSHIP IN THE BANK.
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4. DETAILS ON THE AFDF SECOND REPLENISHMENT SENT SEPTEL. A REPLENISHMENT TARGET OF FUA 700 MILLION (FUA 1 EQUALS \$1.11) WAS ADOPTED, OF WHICH FUA 608 MILLION WAS ACTUALLY PLEDGED AT LIBREVILLE. AFRICAN STATES SEEMED PLEASED WITH THE OUTCOME OF THE REPLENISHMENT NEGOTIATIONS. THE U.S. PLEDGE OF \$125 MILLION TO THE REPLENISHMENT, WHICH PRESIDENT CARTER ANNOUNCED IN APRIL DURING HIS VISIT TO NIGERIA, WAS PRAISED BY REGIONAL AND NON-REGIONAL STATES. PRESIDENT BONGO'S OPENING SPEECH WAS INTERRUPTED BY APPLAUSE ONLY ONCE -- WHEN HE THANKED PRESIDENT CARTER AND THE UNITED STATES FOR THE U.S. PLEDGE. IN HIS OPENING STATEMENT, FORDWOR ALSO LINKED THE SUCCESS OF THE REPLENISHMENT NEGOTIATIONS TO THE EXAMPLE SET FOR OTHER DONORS BY THE "MAGNANIMOUS GESTURE" OF THE UNITED STATES.

5. IN HIS STATEMENT BEFORE THE PLENARY, TREASURY ASSISTANT SECRETARY BERGSTEN STRESSED THE IMPORTANCE OF A HEALTHY WORLD ECONOMY FOR THE FUTURE OF THE DEVELOPING NATIONS. HE REVIEWED RECENT ECONOMIC DEVELOPMENTS IN THE UNITED STATES AND REITERATED U.S. COMMITMENT TO A STABLE DOLLAR AND THE FIGHT AGAINST INFLATION. HE ALSO REVIEWED U.S. POLICIES IN THE AREAS OF TRADE AND COMMODITIES DESIGNED TO ASSIST DEVELOPING COUNTRIES. BERGSTEN CONFIRMED THE STRONG U.S. COMMITMENT TO AFRICA AND THE AFRICAN DEVELOPMENT FUND. HE REAFFIRMED THE U.S. \$125 MILLION PLEDGE TO THE SECOND REPLENISHMENT OF THE AFDF AND EXPRESSED U.S. WILLINGNESS TO GIVE THE QUESTION OF MEMBERSHIP IN THE BANK SERIOUS AND SYMPATHETIC CONSIDERATION.
BERGSTEN'S STATEMENT WAS WELL RECEIVED, WITH MANY DELEGATES EXPRESSING THEIR SATISFACTION WITH THE U.S. ADDRESS IN CORRIDOR CONVERSATIONS.

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6. GENERAL TONE OF ANNUAL MEETING WAS BUSINESS-LIKE, WITH MANY GOVERNORS ADDRESSING TECHNICAL AND ADMINISTRATIVE MATTERS IN THEIR STATEMENTS. A NUMBER OF SPEECHES CONTAINED SUGGESTIONS FOR MODIFICATION OF VARIOUS BANK/FUND POLICIES. RECURRENT THEMES

NOTE BY OC/T: NOT PASSED

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WERE CALLS BY MANY AFRICAN STATES FOR RELAXATION OF THE FUND'S PER CAPITA GNP ELIGIBILITY CRITERIA, MORE LOCAL COST FINANCING, AND INITIATION OF PROGRAM LENDING. EACH OF THESE PROPOSALS FACED OPPOSITION FROM A NUMBER OF OTHER DELEGATIES, MOSTLY NON-AFRICAN COUNTRIES AND NO ACTION WAS TCN OR FORMALLY PROPOSED ON ANY OF THEM. THE FUND'S INCREASED ATTENTION TO THE AGRICULTURAL AND RURAL DEVELOPMENT SECTORS WAS PRAISED AND ENCOURAGED BY BOTH REGIONAL AND NON-REGIONAL MEMBERS.

7. MANY GOVERNORS EXPRESSED SATISFACTION WITH THE BANK AND FUND'S PROGRESS IN IMPROVING ITS ADMINISTRATIVE CAPACITY AND ENCOURAGED MANAGEMENT TO CONTINUE ITS EFFORTS IN THIS REGARD. THE GOVERNORS' STATEMENTS FOLLOWED A THOROUGH AND IMPRESSIVE ANALYSIS BY FORDWOR AT THE FIRST PLENARY SESSION DESCRIBING THE BANK GROUP'S PROGRESS TOWARD IMPROVING ITS ADMINISTRATIVE CAPACITY. MANY GOVERNORS, INCLUDING THE U.S., CITED FORDWOR'S EXCELLENT LEADERSHIP OF THE BANK GROUP.

8. DURING THE ANNUAL MEETING, DJIBOUTI JOINED THE AFDB AS ITS 48TH MEMBER. ANGOLA SENT AN OBSERVER TO THE MEETING, SUGGESTING THAT IT MAY BE CONSIDERING MEMBERSHIP IN THE BANK. THE ANNUAL MEETING WAS THE FIRST AT WHICH FRANCE AND KUWAIT PARTICIPATED AS FULL MEMBERS OF THE AFDB. ARGENTINIA JOINED THE FUND DURING THE ANNUAL MEETING WITH A SUBSCRIPTION OF FUA 2 MILLION. SEVERAL AFRICAN DELEGATES EXPRESSED THE HOPE THAT ALL AFRICAN STATES MIGHT ONE DAY BECOME MEMBERS OF THE BANK GROUP. REFERENCE
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WAS OBVIOUSLY TO THE SITUATION IN SOUTHERN AFRICA.

9. IN OTHER BUSINESS, THE GOVERNORS OF THE AFDB APPROVED A RESOLUTION AMENDING THE BANK'S ARTICLES OF AGREEMENT TO MAKE THE BANK'S UNIT OF ACCOUNT EQUIVALENT TO THE SDR, AND BANK/FUND GOVERNORS AGREED TO HOLD THEIR 1979 ANNUAL MEETING AT ABIDJAN ON MAY 14-19, 1979.

10. DURING THE BANK/FUND MEETING, USDEL SUCCESSFULLY ARRANGED FOR AN EXCHANGE OF LETTER BETWEEN THE U.S. AND FUND MANAGEMENT WHICH WOULD PERMIT THE PROPOSED \$25 MILLION U.S. SUBSCRIPTION TO THE FIRST FUND REPLENISHMENT TO TAKE THE FORM OF A NON-NEGOTIABLE, NON-INTEREST BEARING LETTER OF CREDIT TO BE VALUED AT THE RATE OF \$1.11 EQUALS 1 FUA UNTIL THE LETTER OF CREDIT IS FULLY DRAWN DOWN. THE EFFECT OF THIS PROCEDURE WOULD BE TO INSURE THAT THE U.S. CONTRIBUTION IS NOT SUBJECT TO MAINTENANCE OF VALUE.

11. OF THE BILATERALS ENVISAGED IN REFERENCE (C) THE U.S. LEGATION WAS SUCCESSFUL IN ARRANGING FORMAL MEETINGS WITH ZAMBIA (REPORTED REF (A) AND ETHIOPIA (REPORTED REF (B)). INFORMAL CONTACTS WERE, HOWEVER, MADE WITH THE REPRESENTATIVES OF SEVERAL OTHER COUNTRIES. ALL DELEGATIONS UNDERSTOOD THE DIFFICULTIES OF SCHEDULING BILATERAL TALKS DURING THE ANNUAL MEETING. TIENKEN

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